

# THRIVING WITH CHANGE

2002 was a year filled with twists and turns for the travel industry. The effects of the terrorist attacks and weakening economy of late 2001 had the industry holding on for one of the most challenging rides in its history. The stock market correction that analysts predicted did occur, leaving people with less disposable income to spend on travel. Fewer travelers spent less and took shorter trips. Air travel anxiety crippled the airline industry. Corporate America assumed stricter business travel policies.

Yet, positive trends emerged for leisure travel, such as a booming RV sales and rental market, continuing increases in weekend getaways and a surge in patriotic and historic travel. **It's a good time to be a "close-in, drive-to" destination.**

Additional positive changes occurred in 2002 when Lt. Governor Joe Kernan announced a **major reorganization of the Indiana Department of Commerce**, creating 12 new offices statewide to serve the individual needs of Indiana's varied economies. A restructuring of central Commerce also resulted in the expansion of the tourism development program.

While economic conditions remain unstable as we enter 2003, the outlook for the state could be considered cautiously optimistic. **Indiana has seen growth in most sectors of its travel economy over the past five years.** According to D.K. Shifflet, supplier of the nation's largest travel performance index, Indiana's visitor volume has been on the rise since 1997. During that same period, visitor spending increased by 29 percent.

What will the future bring? Short-term threats to tourism growth in Indiana are the same as those that may affect other segments of the economy, including of military conflict and fiscal challenges due to budget shortfalls and sluggish tax revenues.

Visitor spending has a powerful effect on a state's economy. **Indiana is at a critical point in determining the state's travel and tourism landscape over the next decade.** In 2002, the Indiana Tourism Council, Office of Tourism Development and industry leaders recognized the need for different marketing strategies, different alliances and different means of sustaining the state's tourism industry. As one of the state's leading collaborative bodies, the Indiana Tourism Council will continue to make bold strokes toward thriving with change.

***"In travel and tourism, we have many reasons to always look forward to the next sunrise. We provide unique rejuvenation, but we also provide something that is much deeper, something that may hold some of the answers to this troubling time in which we find ourselves. Travel exposes us to more than cultures and different ways of thinking. Only travel brings us face to face with people from different cities, different states, different nations and different outlooks."***

— Bill Norman, President and CEO, Travel Industry Association of America, January 29, 2003

***"When we spoke with one voice in the fall of 2001, we motivated Americans to keep traveling. When we speak with one voice, we speak for the one in every seven Americans who work directly or indirectly for our industry. When we speak with one voice, we flex the muscle of the nation's third largest retail sales industry. And when we speak with one voice, we maximize the power of the nearly \$100 billion we contribute to federal, state and local tax coffers annually."***

***"I want federal lawmakers and the administration to acknowledge the economic, cultural and social contributions our industry makes to this nation every single day. I want them to understand that an investment in travel and tourism is the best investment they could make for the future well-being of our country. And I want them to recognize that travel and tourism is the greatest long-term guarantor of peace for our nation and the world."***

— John Marks, Travel Industry Association National Chair and President/CEO of the San Francisco Convention and Visitors Bureau, January 14, 2003

# INDIANA TOURISM COUNCIL REPORT

For the last four years, the 33-member Indiana Tourism Council has advised the Indiana Department of Commerce's Office of Tourism Development through strategic planning and consensus building. In 2002, the Council was instrumental in guiding Tourism's response to the economic downturn, budget reductions and the reorganization of the Indiana Department of Commerce.

In addition to responding to changing market conditions, Indiana continues to struggle with a competitive disadvantage. While 58 million annual visitors spend an astonishing \$6.7 billion a year in Indiana, competition from surrounding states is increasingly strong. As such, the Council has continued to focus on strategies to make Indiana a premier Midwestern travel destination.

## Department of Commerce Restructuring

At its annual retreat in September 2002, the Tourism Council came together in enthusiastic support of the Department of Commerce's Market Street Services plan. The plan recommended repositioning the State's tourism efforts to be part of Commerce's new Economic Development Division. To shore up that move, the Council unanimously voted to prepare a strategic plan and pursue a funding package in the 2003 legislative session that would elevate tourism's status as an economic development powerhouse. This resulted in the drafting of Senate Bill 0499, which dedicated a percentage of sales tax gains from tourism-related NAIC codes to tourism promotion and development. Recognizing that funding possibilities may be limited in 2003, the Council has appealed to Promote Indiana, its sister industry lobbying group, to organize an on-going statewide effort in this regard.

## Marketing Partnerships



The Council's marketing committee continued to steer the division's promotion efforts toward "customer relationship marketing". A fall 2002 promotion, complete with "leaf cams" and direct sales of getaway packages, was the successful beginning of a long-term contact management program that will offer financial benefits to partnering tourism organizations and suppliers. In addition, collaboration between the Office of Tourism Development, the Department of Natural Resources and the Recreational Vehicle Indiana Council has resulted in plans for an outdoor recreation marketing program to launch in 2005.

## Tourism Signage

A direct result of the Tourism Council's ability to build partnerships was the Indiana Department of Transportation's adoption of a new signage rule that allows attractions of all kinds to place logos on interstate signage. Studies have shown that this type of signage can have a dramatic positive impact on visitation and sales for participating businesses.

***"In the contemporary economy, tourism contributes to a diversified economic base.***

***An economic development strategy that ignores the importance of tourism in today's economy is overlooking real opportunities to supplement related industries and create various business clusters. It is important that travel and tourism serve as a gateway for states and communities to attract a wide variety of investments in a diversity of business sectors."***

— Indiana Department of Commerce, 2002  
Community and Economic Development Best Practices, Market Street Services, Inc.

***For 2003, the Council has directed the Office of Tourism Development to strengthen linkages between traditional tourism and business economics. This can be accomplished by forming development and recruitment initiatives for sustainable tourism products. A "quality of place" program will also be created to improve Indiana's image as a place to live, work and travel.***

# U.S. TOURISM FACTS

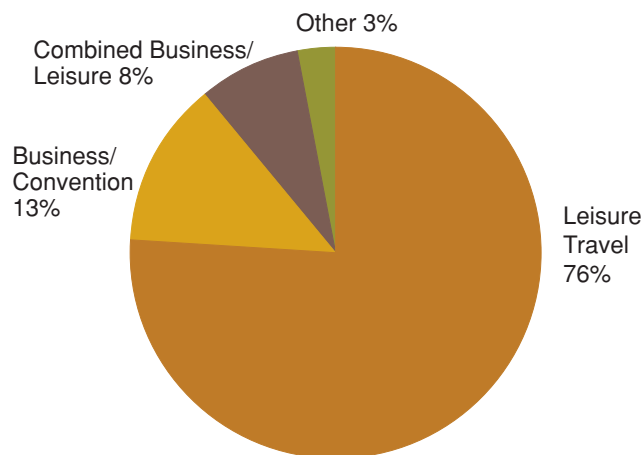
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Travel and tourism is the nation's largest services export industry, third largest retail sales industry and one of America's largest employers. In fact it is the first, second or third largest employer in 29 states. Approximately one out of every 18 U.S. residents in the civilian labor force was employed due to direct travel spending in the United States during 2001.

## Economic Impact of Travel in the United States (2001p)*(Source: TIA)*

Travel Expenditures	\$555.2 billion
Travel-Generated Payroll	\$173.9 billion
Travel-Generated Employment	7.9 million jobs
Travel-Generated Tax Revenue	\$98.8 billion
Trade Surplus	\$8.6 billion

## 2001 Total Domestic Travel Volume: 1,017,800,000 Person-Trips



# NATIONAL TRAVEL TRENDS

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According to the Travel Industry Association of America (TIA), the United States can expect a long, slow road to recovery for the travel and tourism industry. When recovery does come, there is no guarantee that volume and spending will necessarily return to pre-September 11 levels. Travel demands, patterns and expectations may have been changed for the long-term. While the leisure travel market is managing to obtain a continued slow growth, this recovery is fragile and could be choked by any number of new developments.

- According to TIA, **domestic and international travel expenditures** dropped \$33.3 billion in 2001 to \$537.2 billion (-5.8 percent). Expenditures are forecasted to decline another \$1.9 billion in 2002 to \$535.3 billion. The industry will see a 5 percent gain in domestic and international travel spending in 2003, to \$560.1 billion. Another 5 percent gain, to \$588.2 billion, is projected for 2004, finally exceeding 2000's record level of spending (\$570.5 billion).
- A late 2002 TIA poll reveals that nearly 80 percent of all business travelers say their company has one or more **business travel policies** in place, with one-third indicating that these policies were implemented in the past year. New policies include restricting the number of trips taken and trip duration, limiting travel per diems, restricting the number of employees traveling and requiring travelers drive rather than fly.
- Many companies are taking a much more **strategic approach to travel**, in some cases calculating a return on investment to determine whether a trip should be taken. In addition, teleconferencing was used by 42 percent of all air business travelers in the past year as a substitute for taking a business trip.
- A new AAA survey found that **71 percent of Americans plan to travel at least as much or more in 2003** as they did in 2002. Three-fifths of respondents believe the struggling economy will be stronger this year. Over half of the respondents (52 percent) said they would travel the same in 2003 as they did in 2002 if the United States goes to war with Iraq.
- The Recreation Vehicle Industry Association reports that **RV shipments** are expected to total 307,400 units in 2002, which would amount to a 20 percent gain over 2001. RV shipments are expected to continue to increase 5.1 percent during 2003.
- A survey of TIA's membership shows that changes in **consumer travel patterns** have greatly affected how they market their destinations and services. In the past year, 87 percent have made changes to marketing and/or promotion programs, with 77 percent refocusing on closer, drive-to markets. While 68 percent of TIA members are optimistic that business will improve in 2003, 40 percent report reductions in staff, salaries or bonuses in the previous 12 months.
- TIA also reports that 64 percent of past-year leisure travelers planned at least one of their trips within **two weeks of taking their trip**. The majority said they began planning their most recent last-minute leisure trip either one to two or three to seven days prior to departure. Most last-minute trips are close to home and short in duration, with the majority less than 500 miles, one-way, to the destination.

# TOURISM IN INDIANA

## Indiana's Tourism Industry

Indiana's tourism industry, like that of other states, consists of a considerable cluster of businesses and organizations that depend on travel and tourism. Ultimately, **visitor spending impacts state and local economies** by sustaining jobs and generating tax receipts. Easily defined by NAIC codes, some of those businesses in the travel and tourism-dependent cluster include:

**Gasoline stations, hotels, full service and limited service eating places, recreational goods rental, racetracks, RV parks, campgrounds, liquor stores, taxi/limo services, charter bus services, performing arts, gaming, amusements and recreation, convenience stores, gift/novelty/souvenir stores, passenger car rentals, museums, historic sites, zoos, botanic gardens, nature parks, amusement and theme parks, golf courses and marinas.**

Research shows that while Indiana still ranks last as a place to visit among regional competitors, the state ties with Kentucky as the state most likely to be considered for a visit. Proximity offers opportunity. **Indiana is at a geographic advantage** relative to the trend toward close-to-home travel; since more than 60 percent of the nation's population lives within a day's drive of the state and large metropolitan cities lie close to, and even overlap, the state's borders.

State	Rating as a Place to Visit (5 pt. scale)	Consider for Next Visit
Illinois	3.6	36%
Indiana	3.4	46%
Kentucky	3.8	46%
Michigan	3.6	31%
Ohio	3.6	35%
Wisconsin	3.7	25%

(Source: 2002 Image & Positioning Research)

## Destination Marketing Organizations

Convention and visitor's bureaus are the lead tourism development and marketing organizations in 55 of Indiana's 92 counties. Funded by innkeepers taxes, these establishments have a dominant presence in the state, with **combined budgets of more than \$35 million**. The Association of Indiana Convention and Visitors Bureaus was the first in the nation to develop professional standards and a nationally acclaimed accreditation program.

## The Economic Impact of Tourism in Indiana

(Sources: TIA 2000, D.K. Shifflet 2001)

Total Visitor Volume	57.7 million person-trips
Total Visitor Expenditures	\$6.7 billion
Total Direct Jobs (FTE)	113,000
Payroll	\$2.1 billion
State Government Tax Receipts	\$358.7 million
Local Government Tax Receipts	\$131.3 million
Domestic Visitor Spending Rank	27th
International Visitor Spending Rank	28th

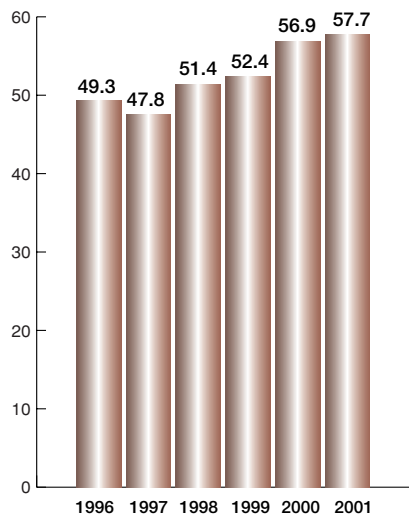
## Higher Education Leadership

*In 2002, Purdue University's hospitality and tourism management undergraduate program was ranked No. 1 nationally by two surveys published in the Journal of Hospitality & Tourism Education.*

*One study surveyed 121 four-year hospitality institutions and ranked programs quantitatively. The second study surveyed industry recruiters on six attributes of 21 large undergraduate hospitality management programs. Indiana University and IUPUI also offer high-quality tourism degree programs.*

# TOURISM IN INDIANA

Indiana's Visitor Volume (millions of person-trips) *(Source: D.K. Shifflet 2001)*



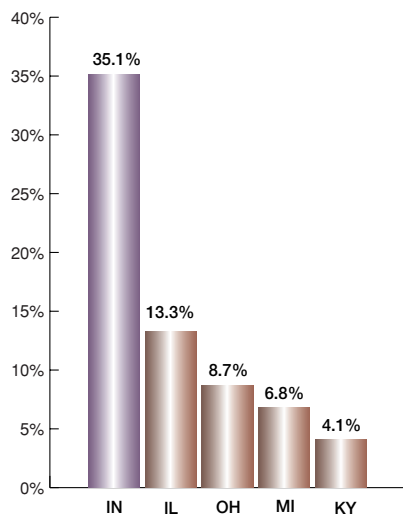
## Visitor Profile

*(Sources: 2002 Conversion Study, D.K. Shifflet 2001)*

The typical overnight leisure traveler is married (75 percent), is 42 years of age, has a graduate or post-graduate degree (44.2 percent) and a household income of \$57,100. The average Indiana travel party takes 2.3 trips 3.9 nights in duration to or within the state each year, travels by auto (85 percent) without children (59 percent) in the summer (70.1 percent) and spends \$701 per trip.

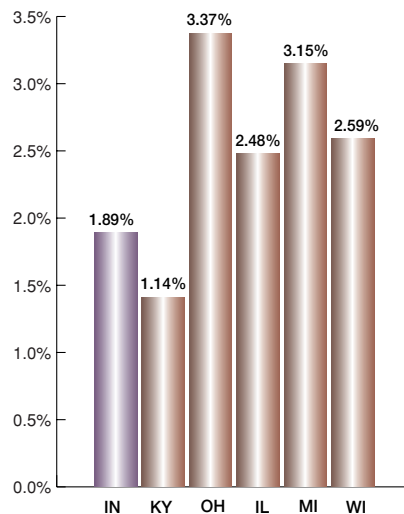
## Top Origin States, Overnight Leisure Travel to Indiana

*(Source: DK Shifflet 2001)*



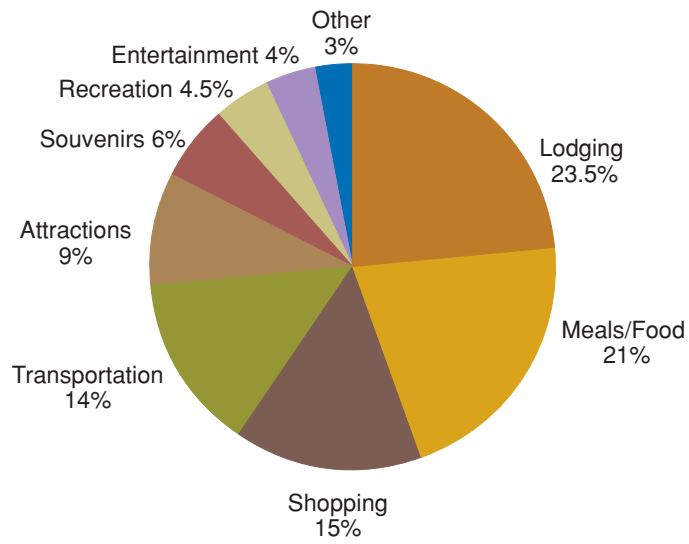
## Indiana's Competitive Position U.S. Market Share (person-trips)

*(Source: DK Shifflet 2001)*



# TOURISM IN INDIANA

Indiana Travel Parties Spend \$701 Per Trip *(Source: 2002 Conversion Study)*



## How Visitors Enjoy Indiana

Activities	2002
Enjoy scenic beauty	70.2%
Go shopping	58.0%
Eat at unique restaurants	53.1%
Visit small or quaint towns	51.7%
Take scenic drives or tours	50.0%
Visit historic sites	49.2%
Lakes/rivers/natural features	46.3%
Visit state or national parks	34.6%
Attend fairs/festivals	34.1%
Visit with relatives	32.1%
Visit with friends	28.2%
Go antique shopping	24.0%
Visit larger metropolitan cities	23.8%
Visit zoos/child-oriented museums	23.0%
Go hiking or biking	21.5%
Outdoor activities	21.1%
Go camping	20.5%
Visit amusement/theme parks	18.2%
Gamble at riverboat casinos	17.1%
Visit art/cultural museums	16.8%
Look for distinctive architecture	16.5%
Attend sporting events	12.0%
Attend musical performances	11.9%
Visit nightclubs or bars	11.2%
Go to a popular music concert	6.6%

# INDIANA DEPARTMENT OF COMMERCE, OFFICE OF TOURISM DEVELOPMENT

States have long recognized the significant impact tourism has on their economy, and all states support and fund a tourism organization of some kind. State tourism offices are considered essential because travel and tourism is most often one of the top three or four industries in a state. In addition, tourism offices are typically a state's lead marketing organization and can greatly impact a state's image and position in the marketplace. Most importantly, tourism marketing programs are one of the **few profitable uses of tax dollars**, generating sales tax returns many times the state's investment.

Indiana's Office of Tourism Development's mission is to **stimulate visitor spending and economic growth by developing and promoting quality travel experiences in Indiana**. The office works to maximize the amount of money visitors spend in the state, compete for additional market share and work towards obtaining a tourism trade surplus. Short-term programs like advertising and public relations motivate immediate travel. Long term efforts encourage product development partnerships and capitol investment in tourist facilities and amenities.

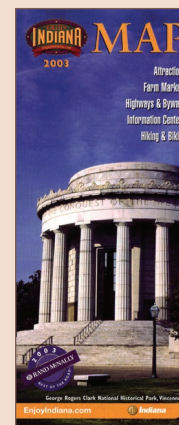
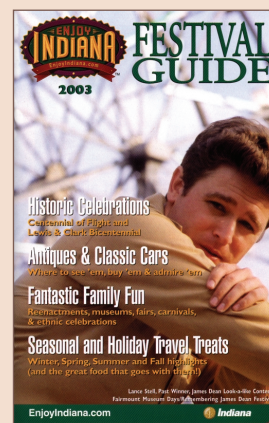
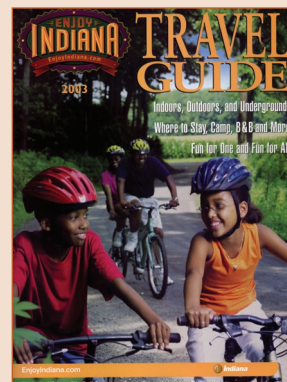
With **\$2 million in industry support**, the office publishes and delivers 4.8 million pieces of literature, runs print, radio and television advertising and direct mail campaigns, continually upgrades the official state tourism Web site, EnjoyIndiana.com, generates news and feature stories and operates eight state welcome centers.

It's essential that government programs are **research-based**, and tourism is no exception. In 2002, the Office of Tourism conducted several studies, including an advertising conversion study, brand recognition study, image and positioning study and marketing focus groups. The office also purchased travel performance data from D.K. Shifflet, utilized the Travel Industry Association of America's report on the economic impact of travel on state economies and tracked marketing statistics. Following are the most significant results.

## Office of Tourism Competitive Position

While Indiana's Office of Tourism Development continues to operate at a competitive disadvantage, Indiana has an excellent reputation in the Midwest for doing more with less, creativity, partnership-building and generating a substantial return on investment.

State	Total Budget	U.S. Budget Rank	Budget per Capita	U.S. Budget per Capita Rank
Illinois	\$54,536,495	2	\$4.91	10
Indiana	4,536,000	42	\$ .74	47
Kentucky	7,040,796	29	\$1.78	35
Michigan	12,737,000	14	\$1.59	37
Ohio	6,345,000	33	\$ .56	49
Wisconsin	15,051,300	10	\$2.89	23
<b>Region Avg. (excl. Indiana)</b>	<b>\$19,142,118</b>		<b>\$2.35</b>	



# OFFICE OF TOURISM DEVELOPMENT ACCOMPLISHMENTS

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## Return on Investment

The state of Indiana realizes \$107 in visitor spending and \$6.42 in sales tax receipts for every \$1 invested in marketing. More than 54 percent of the people that respond to advertising by requesting travel information take an overnight trip to the state. The total percentage of respondents that become travelers has increased more than 40 percent since 1995, attributable to a more market-focused advertising strategy.

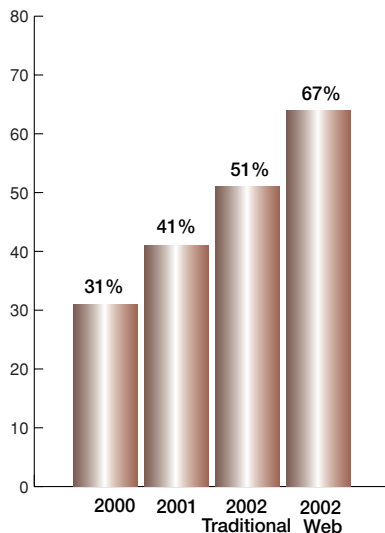
*(Source: 2002 Conversion Study)*

## Marketing ticker

Number of unique users to EnjoyIndiana.com: 2,161,779
Number of inquiries: 265,000
Number of subscribers to Tourism Division guidebooks: 153,054
Pieces of literature distributed: 4.8 million
News and feature stories generated by publicity: 850 plus

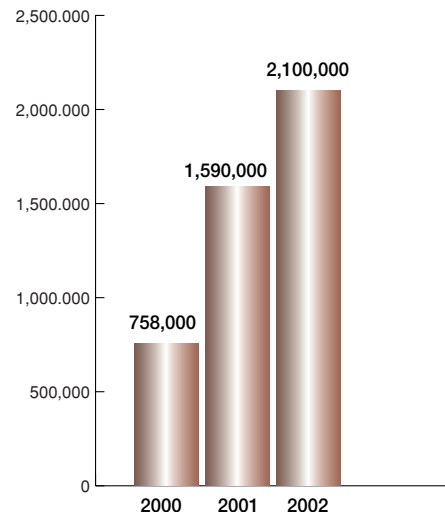
## Likelihood to Use Internet to Plan Indiana Travel in Next Year

*(Source: 2002 Conversion Study)*



## EnjoyIndiana.com Performance Unique User Sessions

*(Source: Statistics Server Reports)*



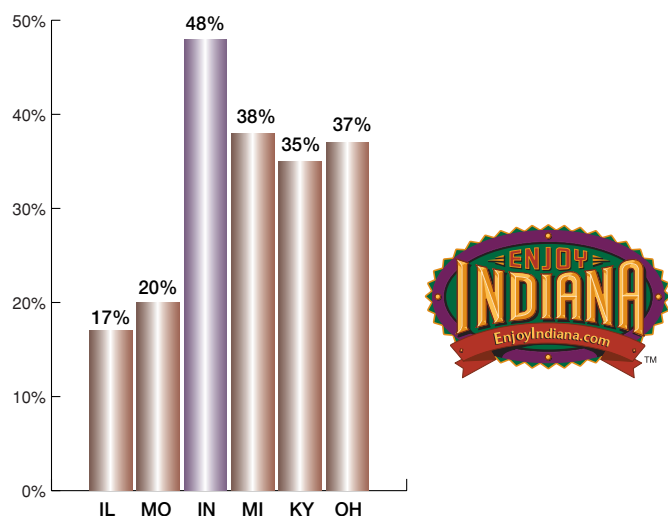
# OFFICE OF TOURISM DEVELOPMENT ACCOMPLISHMENTS

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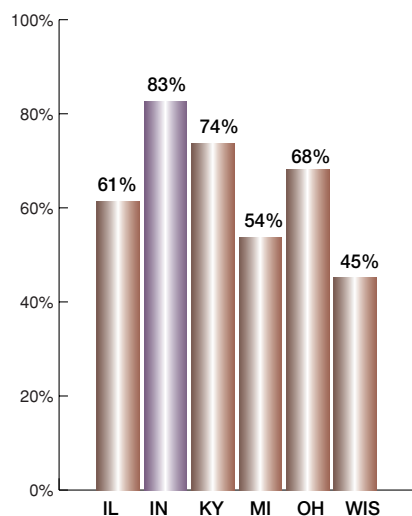
## Brand Awareness and Familiarity

Research shows that visitation is critically dependent upon how familiar people are with a particular destination. When respondents to a 2002 brand awareness study were asked which of the Great Lakes states' logos they had seen in the last six months, the Enjoy Indiana logo had the highest percentage recall among all states, despite the fact that Indiana can afford to do far less advertising than competitors. In the image and positioning research, Indiana leads all other states in familiarity of the destination.

## Logo Recall



## Familiarity with States as Tourism Destinations



# OFFICE OF TOURISM DEVELOPMENT ACCOMPLISHMENTS

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## Technology and Advertising Meet

In 2002, travelers got a real, live look at Indiana's changing foliage on EnjoyIndiana.com. The Office of Tourism installed webcams in six scenic Indiana locations that captured digital images and transmitted them in real time to the Web site. The leaf cam was part of a fall promotion that generated direct sales of more than 500 weekend packages, more than 170,000 views of the leaf cam and more than \$34 million in visitor spending. Tourism also successfully employed a new database-driven trip planner on EnjoyIndiana.com with more ways to search and faster load times, combined several sets of data into one truly "single-source" database and implemented on-line applications for industry partners.



## Business of Tourism Workshop Responds to Needs of Industry

The Office of Tourism and the Indiana Main Street Program teamed up to present the "Business of Tourism" workshop in five locations. This workshop focused on converting travelers into actual customers for local businesses. Developed by Commerce, the workshop has been presented to national audiences at both the National Main Street and the National Trust for Historic Preservation conferences.

## Revenue-generating Business Model is Unique in the Nation

In 1996, Indiana Tourism contracted with six independent business people to serve as regional sales staff for cooperative tourism programs. In FY 2002, this program raised more than \$2.1 million from 1,200 partners to supplement Tourism's marketing budget, an 86 percent increase in revenues since 1998.

# OFFICE OF TOURISM DEVELOPMENT ACCOMPLISHMENTS

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## Indiana Travel Guide is #1 in the Nation

In 2002, the Indiana Travel Guide was ranked as the best in the nation in an independent, comparative study conducted by Randall Travel Marketing of North Carolina. Consumer input was used to determine the criteria for evaluating all 50 state guidebooks.



## Historic National Road Named "All American Road"

U.S. Transportation Secretary Norman Mineta announced in June 2002 that the Historic National Road, which travels through six states, including Indiana, had received All American Road status, the highest designation given by the National Scenic Byways program of the Federal Highway Administration. The Office of Tourism has been instrumental in facilitating the efforts of the Indiana National Road Coalition.



## A Century of Flight...in Indiana

2003 marks the 100th anniversary of the Wright Brothers' first flight and the advent of modern aviation. From Hoosier native Wilbur Wright to Indiana's own astronaut Gus Grissom, Indiana has been home to many of aviation's proudest legends. To commemorate the centennial, which is national in scope, the Office of Tourism worked with Indiana's aviation-related attractions to brand the product and increase awareness of Indiana's tradition in flight.



## The American Bus Association was Here!

The city of Indianapolis and the state of Indiana were the proud hosts of the American Bus Association's (ABA) annual marketplace in February 2003. This was a prime opportunity for Indiana destinations to sell their product in one-on-one appointments with influential tour operators and to showcase the entire state during pre- and post-conference familiarization trips.



## Tri-state Ohio River Scenic Byway Puts Indiana on the Map

The Office of Tourism instigated and coordinated the production of grant applications from the Ohio River Scenic Byway in Illinois, Indiana and Ohio to the National Scenic Byway program at the Federal Highway Administration that resulted in the development of three products: common signage along the Byway, an interpretive master plan and marketing tools.

# INDIANA'S TRAVEL PRODUCT

Indiana is arguably best known for its revitalized capital city, motor sports spectacles, quaint covered bridges, unique Amish culture, vivid fall foliage and of course, basketball. Communities and corporations are investing in noteworthy attractions every year.

In 2002, the **Indiana State Museum** opened to much acclaim and Indiana's amusement parks invested in faster, longer, wetter rides. The **Indiana Historical Society** in Indianapolis acquired a priceless collection of Lincoln artifacts and Auburn added the **WWII Victory Museum** and the **Kruse Automotive Museum** to its list of automotive-related attractions. **Grey Eagle Golf Club** and Academy opened in Hamilton County, as did the **Idle Creek Golf Course** in Terre Haute. **Swan Lake Resort** near Plymouth invested millions in expansion and renovation, and **Salt Creek Golf Retreat** in Brown County added the Overlook Lodge with its fully furnished condominiums.

Regionally and nationally significant exhibits and events took place statewide that drew hundreds of thousands of people from dozens of countries. The **Georgia O'Keeffe exhibition** at the **Fort Wayne Museum of Art**, the **International Violin Competition**, and **World Basketball Championships** in Indianapolis, and **Gifts to the Tsars** at the **Indianapolis Museum of Art** and the **World Hovercraft Championships** and **Symposium in Terre Haute** are only a few.

Main streets added shops and independently run restaurants to enhance the visitor experience, **two new wineries** offered their product for tastings and for sale and more than a dozen unique **bed and breakfasts** opened statewide.



In 2003, **Caesars Indiana** will open Chariot Run, a multi-million dollar golfing masterpiece. In the spring, the 185-mile **John Hunt Morgan Trail** will be unveiled, which commemorates Morgan's raid during the Civil War. In the fall, the **Falls of the Ohio** in Clarksville will be the site of the second of 15 Signature Events commemorating the **Lewis & Clark Expedition Bicentennial**.

The new \$2 million **Canal Conference and Interpretive Center** in Delphi, which depicts downtown Delphi in 1850, is scheduled for a July opening. **Lyle Station** in Gibson County, one of the last remaining African American settlements in Indiana and listed as one of the Historic Landmarks Foundation's 10 most endangered historic sites, will re-open in early summer.

Indiana's growth areas can be determined by those activities in which Indiana indexes well below the region average in visitation but for which quality product exists. According to D.K. Shifflet, these areas include boating/sailing, amusement parks, nature trips, beach/waterfront activities and adventure sports trips.

- According to TIA's *Impact of Travel on State Economies*, **14,200 entertainment and recreation industry jobs** are directly supported by visitor spending in Indiana.

- The fifth largest employer in Indiana, Indiana's ten casinos alone enjoy nearly **20 million visitors a year** and employ 16,000 with annual wages and benefits totaling more than \$517.5 million (Source: Indiana Casino Association 2001).

- Indiana's state parks together generate **12 million visitor days per year**. Of the 135,000 available room nights at state park inns, 40 percent are occupied by out-of-state travelers (Source: Indiana DNR).

- Indiana's more than 200 campgrounds and 35,000 campsites generate **\$30 million in revenue annually**. Tourist spending by campers is estimated at \$320 million. Forty-eight percent of all American-made recreation vehicles are built in Indiana, directly employing 28,500 Hoosiers (Source: RVIC).

- Indiana communities host well over **650 festivals** each year in all corners of the state. The average Indiana festival hosts 34,000 visitors, 20 percent of which are from out of state. Festivals as a whole spend more than \$36 million a year to produce their events. On average, one festival will generate sales of more than 50 room-nights and 47 camping overnights (Source: ISFA).

- Twenty percent of Indiana's overnight leisure travelers say that a **special event** was their primary purpose of stay, much higher than the national average of 15 percent. Fifty-eight percent of special event travelers travel between 100-300 miles to their destination (Source: D.K. Shifflet 2001).

# LODGING AND RESTAURANTS

Foodservice and lodging managers account for the **largest number of managerial employees in the country** — 1.5 million. In fact, one-third of all adults in the United States have worked in the restaurant industry at some time during their lives, and eating and drinking places employ more minority managers than any other industry.

## Hotels Look Toward More Positive Future

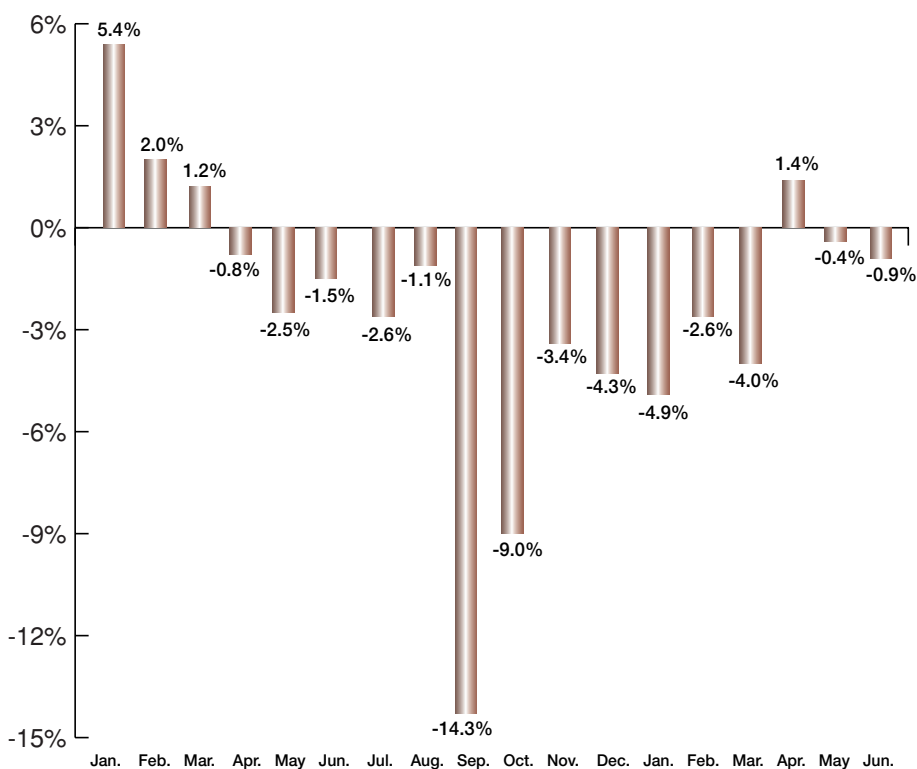
The American Hotel Lodging Association reports that, in 2001, the nation supported more than 41,000 lodging properties with 4.2 million rooms and \$103.6 billion in sales at an average 60.3 percent occupancy rate. Indiana's lodging industry supports more than 18,000 Hoosier jobs at well over 1,000 properties based on more than a billion dollars in visitor spending annually.

In 2001, the lodging industry grossed \$16.1 billion in pre-tax profits, -33 percent less than in 2000, according to Smith Travel Research. Total industry revenue rose from \$62.8 billion in 1990 to \$103.5 billion in 2001.

PricewaterhouseCooper expects average hotel occupancies to drop to their lowest levels in 31 years in 2003. The company estimates that occupancies will settle at 59.3 percent for the nation.

## Hotel Room Demand, January, 2001-June 2002

(Source: D.K. Shifflet 2001)



## *Is a bed and breakfast vulnerable to a recession?*

*According to the Professional Association of Innkeepers International, (PAII),*

*the answer is "maybe." About 80 percent of bed and breakfasts are located in villages or rural areas, most within a few hours drive from a major metropolitan area. These inns are already accustomed to accommodate short trips taken from major urban areas, and could benefit from the closer-to-home travel trend.*

*However, some inns are responding to the change in the financial climate by going into hibernation mode, many times dropping important marketing projects, and believing that when they emerge, they will have a business.*

*Competition for scarce resources always creates winners and losers — the boon in the economy of the '90s created many start up B&Bs, and it is inevitable that a small town simply cannot support 10 B&Bs.*

*The smart foragers will use this time to expand their marketing efforts while their competition diminishes theirs — a low risk strategy with potentially enormous gains.*

*(Excerpted from Indiana Bed & Breakfast Association newsletter, 2002)*

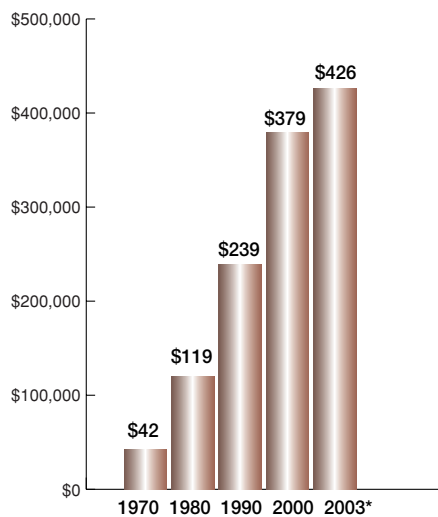
# LODGING AND RESTAURANTS

**The Nation's Largest Private Sector Employer Continues to Show Growth**  
In 2002, sales growth in the restaurant industry substantially exceeded that of the entire retail sector — a trend that is expected to continue. With the number of restaurants in the United States totaling 870,000, the restaurant industry is expected to employ more than 11.7 million people in 2003 and remain the nation's largest private-sector employer.

The industry remains strong despite the softer economy and is projected to reach a record \$426.1 billion in sales in 2003, according to the NRA's Restaurant Industry Forecast. The Forecast finds that, in spite of fragile consumer confidence and a still-recovering economy, the restaurant and foodservice industry will enjoy its 12th consecutive year of real sales growth.

## Restaurant Industry Sales, 1970 - 2003 (Billions of Current Dollars)

(Source: National Restaurant Association; \*projected)



When it comes to how restaurants in different parts of the country will fare, the top regions in terms of sales growth are the South and the West — regions with the fastest-growing local economies. On the state level, Nevada is expected to lead the nation with 7.1 percent sales growth. Arizona follows closely with 7 percent. Hawaii (3 percent) and the District of Columbia (3.2 percent) are projected to show the lowest growth in sales, associated with the continued weakness in tourism. Indiana restaurants are expected to post sales of \$6.8 billion in 2003, a 4.2 percent increase.

## Eating and Drinking Place Statistics (Source: NRA 2002)

State	Establishments	Employees	Sales	Projected Growth (2001-2002)
Illinois	29,007	360,500	\$13.9 billion	3.6 %
Ohio	26,114	376,100	\$12.5 billion	3.5 %
Michigan	20,923	295,700	\$10.7 billion	3.6 %
Wisconsin	15,388	177,300	\$5.7 billion	3.6 %
Indiana	13,295	202,600	\$6.7 billion	4.1 %
Kentucky	7,578	122,000	\$4.0 billion	4.5 %

# LODGING AND RESTAURANTS

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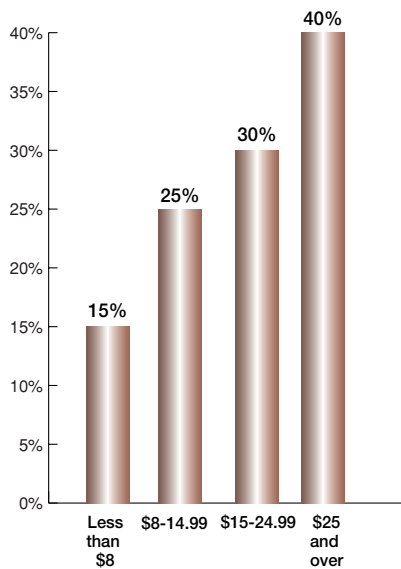
## Restaurants and Tourism

According to National Restaurant Association research, more than two-thirds of tableservice restaurant operators report that tourists are important to their business. And according to TIA, 48 percent of U.S. travelers say dining out is their most popular activity once arriving at a destination.

The trend is even more prevalent among operators of establishments with higher check sizes, with approximately 40 percent of revenues at tableservice restaurants with check sizes of \$25 or more coming from tourists.

## Percentage of Tableservice Restaurant Sales from Travelers

*(Source: National Restaurant Association)*



# INDIANA TOURISM COUNCIL

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## Purpose

The Indiana Tourism Council was established by the Indiana legislature in 1997 and acts as an advisory body to the Office of Tourism Development.

The Council is charged with:

1. Assisting in developing goals and objectives for the Office of Tourism Development.
2. Establishing advisory groups to make recommendations to the Office on tourism research, development and marketing.
3. Analyzing the results and effectiveness of grants made by the Office of Tourism Development.
4. Building commitment and unity among tourism industry groups.
5. Creating a forum for sharing talent, resources and ideas regarding tourism.
6. Encouraging public and private participation necessary for the promotion of tourism.
7. Making recommendations to the Office of Tourism Development regarding any matter involving tourism.

## Member Responsibility

Since the primary purpose of the Council is communications between all segments of the industry, members take responsibility for:

1. Acting as the published point of contact for their representative industry group or geographic region.
2. Bringing industry issues to the Council's executive committee or Council meetings for discussion.
3. Placing Council updates into member association newsletters and/or in other appropriate correspondence.
4. Sharing Council news with related industry groups at professional functions.

## Schedule

The Indiana Tourism Council meets quarterly, with one meeting per year serving as an annual retreat to fully examine issues affecting travel and tourism in Indiana. All meetings are open to the public.

## Work Groups and Committees

Each year, the Council determines priorities, sets goals and assigns responsibility to various work groups and committees. Committees are standing groups that retain their members over time, work toward long-term objectives and give on-going guidance to the Office of Tourism. Workgroups are teams that concentrate on specific projects with shorter timelines. Council members and non-Council members alike are encouraged to serve.

## GET INVOLVED!

Communicating with an Indiana Tourism Council member is one of the best ways for you to voice your issues, concerns and ideas. You are invited to contact any member at any time.

# INDIANA TOURISM COUNCIL

## Membership

The Council is chaired by the Lt. Governor and is made up of 33 members appointed for their leadership and communications skills with the intent of forming an active, aggressive, results-driven group.

Lt. Governor Joe Kernan, Chair

## Government Officials

Office of Tourism Development

John Goss, Director, Indiana Department of Natural Resources

Bryan Nicol, Commissioner, Indiana Department of Transportation

## Governor Appointees

John Chidester, Holiday World

Tina Connor, Historic Landmarks Foundation of Indiana

John Greulich, Ramada Inn Columbus

John Herbst, Conner Prairie

Marcia Hoyt, Lantz House Inn

Bob R. Miller, Das Dutchman Essenhaus

Andy Rogers, Brown County Restaurants and Hotels

Tom Spackman, Indiana Beach

Bill Wellman, Whiteco Industries

Rev. Charles Williams, Indiana Black Expo

Connie Weinzapfel, Historic New Harmony

## Indiana Legislators

Sen. James Merritt, District 31

Sen. Connie Sipes, District 46

Rep. Jerry Denbo, District 44

Rep. David Yount, District 59

## Association Representatives

Mike Chesser, Recreational Vehicle Indiana Council

Michael Smith, Casino Association of Indiana

John Livengood, Restaurant and Hospitality Association of Indiana

Katie Holderby, Tour Indiana Motorcoach Council

Carol Stenbro, Indiana Bed and Breakfast Association

Tom Richardson, Indiana Hotel and Lodging Association

Amy Vaughan, Assoc. of Indiana Convention and Visitors Bureaus

Doug Weisheit, Indiana State Festivals Association

## Regional Representatives

Dionne Wisniewski, Northern

Randy Ballinger, Eastern

Bill McGowan, Central

Sharon Kenny, Western

Linda Lytle, South Central

Gordon Smith, Southern

## 2003 Annual Report Sources:

2002 Conversion Study,  
Strategic Marketing & Research  
2002 Image & Positioning  
Research, Strategic Marketing &  
Research

American Bus Association (ABA)

American Hotel and Lodging  
Association (AH&LA)

Casino Association of Indiana  
(CAI)

DK Shifflet 2002 Indiana

Domestic Travel Report

Indiana Bed and Breakfast

Association (IBBA)

Indiana Department of Natural  
Resources (DNR)

Indiana State Festivals

Association (ISFA)

Indiana Tourism Council (ITC)

Recreational Vehicle Indiana  
Council (RVIC)

Statistics Server Reports

Travel Industry Association of  
America (TIA)